

BEFORE THE
STATE DEPARTMENT OF HEALTH
STATE OF NORTH DAKOTA

IN THE MATTER OF:

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) **ADMINISTRATIVE CONSENT AGREEMENT**

Continental Resources, Inc.
PO Box 1032
302 North Independence Ave.
Enid, OK 73702

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Case No. 09-002 WPC

The North Dakota Department of Health ("Department"), together with Continental Resources, Inc. ("Respondent"), agree to settle this administrative action on the following terms:

PRELIMINARY STATEMENT

- I. Department is the state agency responsible for administering and enforcing the state's water pollution laws, N.D.C.C. ch. 61-28 and N.D. Admin. Code art. 33-16, and has the authority to enter into this Administrative Consent Agreement ("Agreement") under N.D.C.C. chs. 61-28 and 28-32.
- II. Respondent is an oil and gas exploration and production company authorized to do business in North Dakota. Its principal office is located at 302 North Independence Avenue, Enid, OK 73701.
- III. The parties enter this Agreement to resolve the alleged violations identified herein and avoid the expense of litigation. By entering into this Agreement, Respondent does not admit to any of the allegations contained herein or in any of the Department's notices of violation or the Administrative Complaint described herein nor does Respondent waive any defenses, on any grounds related to claims that are not resolved by this Agreement.
- IV. Respondent did not benefit from any of the alleged incidents and has incurred significant expenses and losses as a result of the alleged incidents

BACKGROUND

The Department Makes the Following Allegations:

- V. Respondent is subject to the requirements of N.D.C.C. ch. 61-28 and the rules promulgated thereunder.

- VI. On Saturday, January 20, 2007, approximately 210,000 gallons of salt brine water and oily residue was inadvertently released from a salt brine flowline owned and operated by Respondent. The release occurred where the salt brine flowline crosses under Little Beaver Creek in the NE1/4NW1/4 of Section 18, T132N, R106W, Bowman County, North Dakota. The released salt brine had a concentration of 64,560 milligrams per liter (mg/L) of total dissolved solids, 39,100 mg/L chloride, 19,500 mg/L sodium, 81.4 mg/L ammonia (as nitrogen), 160 mg/L boron, 16.2 µg/L (micrograms per liter) chromium, 251 µg/L copper, 140 µg/L nickel, 97.1 µg/L selenium, 1,280 µg/L barium, and several other trace elements that exceed the North Dakota Water Quality Criteria, as measured in a sample collected by the Department from the still slightly leaking pipeline on January 23, 2007.
- VII. On Monday, May 19, 2008, another inadvertent release of crude oil and salt brine occurred from a crude oil flowline owned and operated by Respondent was discovered in Bowman County, North Dakota. The flowline runs between Respondent's Horse Creek Ranch 1-25 production well and the Rattlesnake Central Tank Battery. On or before May 1, 2008, the flowline began leaking crude oil in the NE1/4NE1/4 of Section 26, T130N, R105W. The release contaminated up to 5.8 stream miles of Horse Creek with crude oil, from the NE1/4 of Section 26, T130N, R105W, to the middle of Section 16, T130N, R105W. Respondent conducted clean up and repair operations from May 19 until June 26, 2008. Respondent completed disposal of contaminated materials to approved locations prior to August 25, 2008.
- VIII. Department issued a notice of violation on October 1, 2007, for the Little Beaver Creek spill, docketed as Case No. 07-005 WPC. Department issued a second notice of violation on September 18, 2008, for the Horse Creek spill, docketed as Case No. 08-007 WPC. The Department served an Administrative Complaint on June 16, 2009 (docketed as Case No. 09-002 WPC) to address both notices of violation.
- IX. Respondent's inadvertent but unauthorized discharge of contaminant-containing water into Little Beaver Creek violated N.D.C.C. § 61-28-06 and N.D. Admin. Code §§ 33-16-01-02; 33-16-02.1-08; 33-16-02.1-09; and 33-16-02.1-11(2).
- X. Respondent's inadvertent but unauthorized discharge of crude oil into Horse Creek violated N.D.C.C. § 61-28-06 and N.D. Admin. Code §§ 33-16-01-02; 33-16-02.1-08; and 33-16-02.1-11(2).

SETTLEMENT TERMS

- XI. Respondent agrees to pay a civil penalty of One Hundred Thousand Dollars (\$100,000), Sixty-five Thousand Dollars (\$65,000) of which shall be suspended according to the provisions of paragraph XII. Respondent agrees to pay the remaining Thirty-five Thousand Dollars (\$35,000) upon execution of this Agreement. Payment shall be by check in the amount of \$35,000 made payable to the State Department of Health.
- XII. Sixty-five Thousand Dollars (\$65,000) of the penalty shall be assessed against Respondent or dismissed upon the following conditions:
- a. Thirty-two Thousand Five Hundred Dollars (\$32,500) shall be suspended and ultimately dismissed if Respondent has no further spills or releases, which impact waters of the state, for one year, beginning on August 1, 2008, and ending July 31, 2009. Department agrees not to seek to collect this suspended penalty for any violations that the Department is currently investigating or may have occurred between April 10, 2009, and April 22, 2009, in Bowman County, North Dakota, at the following well sites: Lowe 44-9; Harry 22-15; JTD 20-14; JTD 1-10; Nourine 24-30; and Davis 44-32. This does not limit Department's right to bring a separate enforcement action for any such violations at those well sites.
 - b. Thirty-two Thousand Five Hundred Dollars (\$ 32,500) of the penalty shall be suspended and ultimately dismissed if Respondent has no further spills, which impact waters of the state, for a second year, beginning August 1, 2009, and ending July 31, 2010.
- XIII. Respondent agrees to pay Department's documented costs relating to its assessment and monitoring of the spill and remediation through the time of signing of this agreement in the amount of \$14,163.55 to be deposited into the Environmental Quality Restoration Fund, as authorized in N.D.C.C. ch. 23-31. Payment shall be made upon execution of this Agreement by check in the amount of \$14,163.55 made payable to the State Department of Health, Environmental Quality Restoration Fund.

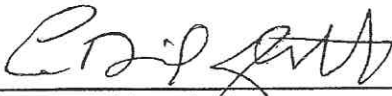
ADDITIONAL TERMS

- XIV. Respondent agrees that it was properly notified of the alleged violations listed herein.
- XV. Respondent acknowledges that, with regard to the alleged violations listed herein, it is knowingly and voluntarily waiving the rights and procedures that would otherwise protect it and that it would have in any formal administrative

adjudicatory proceeding or any civil action in a court of law, including the right to the filing of a notice of intent, to present evidence and witnesses on its behalf, to cross-examine Department's witnesses, to a jury trial, and to administrative and judicial review.

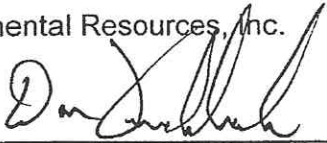
- XVI. Respondent agrees that an administrative order may be entered incorporating the Agreement's terms, and agrees that the order may be enforced by a court of competent jurisdiction. Respondent agrees that it will not contest Department's jurisdiction to compel compliance with the order in any subsequent enforcement proceedings.
- XVII. Any judicial action brought by either party to enforce or adjudicate any of the Agreement's terms, or an order incorporating the Agreement's terms, shall be brought in the Burleigh County Court in the State of North Dakota (South Central Judicial District).
- XVIII. If any term of this Agreement is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms will not be affected and, if possible, the rights and obligations of the parties are to be construed and enforced as if the Agreement did not contain that term.
- XIX. The Agreement shall constitute full settlement of the alleged violations listed herein, but does not limit Department from taking enforcement action concerning other violations.
- XX. No failure by Department to enforce any of the Agreement's terms after any breach or default will be deemed as a waiver of its rights with regard to that breach or default, nor will such failures be construed as a waiver of the right to enforce all of the Agreement's terms on any further breach or default.
- XXI. This Agreement constitutes the entire agreement between the parties. Except as otherwise provided in the Agreement, no amendment, alteration, or addition to the Agreement shall be binding unless reduced to writing and signed by both parties.
- XXII. Except as provided in paragraph XIII above, each party shall bear its own costs incurred in this action, including attorney fees.
- XXIII. Respondent enters into the Agreement freely and voluntarily.
- XXIV. The Agreement becomes effective when signed by both parties.

DEPARTMENT OF HEALTH


By: L. David Glatt, P.E.
Environmental Chief

8/3/09
Date

Continental Resources, Inc.


By: Don Fischbach,
General Counsel

30 July 2009
Date

STATE OF OKLAHOMA)
) ss.
COUNTY OF GARFIELD)

The foregoing instrument was acknowledged before me this on this 30th day of July, 2009, by Don Fischbach, General Counsel of Continental Resources, Inc., an Oklahoma corporation, on behalf of the corporation.


Notary Public
My commission expires 8-02-11

